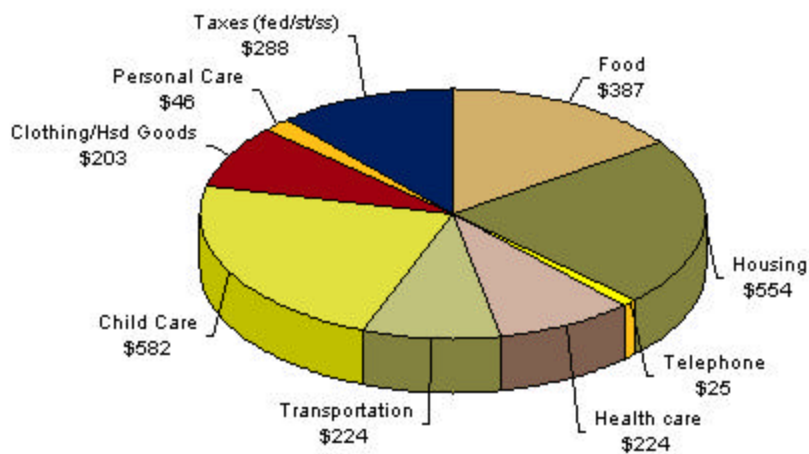


1999
Annual

REPORT CARD ON POVERTY in Maine

Supplemental Report: **Basic Needs Budget**

Components of a Monthly Basic Needs Budget
For a Single Parent with 2 Children



May, 2000
Maine State Planning Office

Maine State Planning Office
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RESOLVES
First Regular Session of the 119th
CHAPTER 62
H.P. 1258 - L.D. 1812

Resolve, to Require the Development of a Basic Needs Budget

Sec. 1. Resolve 1997, c. 36, §1, last sentence, amended. Resolved: That Resolve 1997, c. 36, §1, last sentence, is amended to read:

The report must include information on poverty among children and adults, regional differences in poverty rates and indicators, conditions responsible for changes from the prior year, expectations for the coming year and the economic condition of the State's communities; and be it further

Sec. 2. Resolve 1997, c. 36, §2, enacted. Resolved: That Resolve 1997, c. 36, §2, is enacted to read:

Sec. 2. Basic needs budget. Resolved: That the Executive Department, State Planning Office, in cooperation with the Department of Human Services, shall develop and publish an annual basic needs budget for a single parent with 2 children that includes the following expenditure categories: housing, transportation, child care, health care insurance and out-of-pocket health care expenses, clothing, food, personal care and recreation. This annual basic needs budget must include a brief description of the expense assumptions used for each of the expenditure categories and a calculation of the annual, monthly, weekly and hourly income needed to meet this basic needs budget.

Effective September 18, 1999, unless otherwise indicated.

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I. Summary

1. Findings

In 1999 the 119th Legislature enacted legislation that directed the State Planning Office to annually prepare a basic needs budget for Maine households in conjunction with the Annual Report Card on Poverty. This came at a time when many advocacy groups and agencies that deliver services to needy persons were becoming increasingly concerned about the inadequacy of the federal poverty guideline as a measure of need.

Many federal agencies have also recognized the problem, for years now setting eligibility guidelines for their programs at levels well above the poverty threshold. The US Census Bureau has also shared this concern, and has published several documents over the past decade on extended measures of well-being that were based on findings from their analysis of the current population surveys (CPS) conducted annually by the Bureau.

The creation of a basic needs budget that is reliable and accurately reflects costs and spending patterns of families of limited incomes requires an in depth investigation into the costs of various basic goods and services throughout the State. Ideally such would require market surveys as well as the examination of reliable sources of information where available such as those compiled by service providers, regulatory agencies, trade associations and the findings of related research.

In 1999, the Maine Center for Economic Policy (MCEP)[1] sponsored the research necessary to compile a basic needs budget for Maine households of varying size and composition. Because of the timeliness of MCEP's effort, it was determined that an evaluation of the procedures and findings of MCEP should be conducted before endeavoring to move forward with research that may only duplicate an effort and outcome already available.

A careful review of the methodology, source data, and assumptions in the analysis suggests that the budget published by MCEP in the fall of 1999 is well done. The procedures engaged by the MCEP were thorough and carried out systematically. Their findings represent an accurate, and in most cases, slightly conservative, estimate of the costs of basic items, especially of those items for which variation is great. Areas where the findings and the procedures used seemed least refined are those where data to pursue them further does not exist at this time.

This evaluation has led us to conclude that the findings of MCEP are reliable and represent an adequate budget to serve as a baseline upon which to build. Further refinement beyond the level

achieved by MCEP is not possible without investing a significant amount of time and resources to conduct more thorough surveys of costs.

Therefore, this report recommends adoption of MCEP's basic needs budget and moves forward to identify and define methods for making adjustments in future years.

The following pages present findings of the review of MCEP's budget assumptions and makes comparisons to other sources of data. The report also discusses some of the complexities of creating a single budget and some approaches for adjusting the budget on a regular basis to reflect changes in the cost of basic items and in household spending patterns.

2. Basic Needs Budget for a Single Parent with two Children

An estimated \$30,391, or \$2,245 per month is required in 1999 for a single earner to meet the basic needs of a family of three according to the MCEP budget*.

Components of the Basic Needs Budget
Prepared by the
Maine Center for Economic Policy

Basic Needs Items	Single Parent with 2 children
Food	387.00
Rent/Utilities	554.00
Telephone	25.00
Health Care	224.00
Transportation	224.00
Child Care	582.00
Clothing/ Household Goods	203.00
Personal Care	46.00
Total Monthly expenses	2,245.00
Annual Expenses	26,940.00
Plus State & Federal Taxes (Inc. Social Security tax)	3,451.00
Total Income Required	30,391.00

* This budget includes all items spelled out in Resolve 62 except for recreation.

3. Basic Needs and Annual Income in Maine

Based on the MCEP budget, a full time job with an average hourly wage of \$14.61 would be needed for a single parent to meet the basic needs of a family of three. This amounts to \$584.40 per week or \$2,532.58 per month.

Many families in Maine fall short of this. In 1998 almost half (47%) of Maine households had a household income (from all sources, including the earnings of all workers in the household) of \$30,000 or less.

To earn enough to meet the basic needs of a family of three at a job paying \$14.61 per hour means getting paid for 40 hours a week 52 weeks a year. The average hourly wage for Maine workers in 1998 according to the Bureau of Labor Statistics was \$12.23. The two largest and fastest growing sectors of the Maine economy averaged far less. The average hourly wage in the retail sector was only \$7.50, and only \$11.46 in the service sector even though the service sector includes some comparatively high wage occupational groups such as health professionals, legal services, and employees in private colleges and educational institutions. Compounding the situation further, a large portion of the jobs in Maine are not full time.



The average weekly pay in 1998 for all jobs in Maine was almost 20% lower than the weekly wage needed to provide for the basic needs of a single worker with two children. Two thirds of Maine workers hold jobs in an industry where the average weekly wage is less[2].

Twenty occupations account for about a third of Maine workers. As the following tables show, of the twenty, only six paid wages sufficient to meet the needs of a worker with two children in 1997.

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et amount for a family of three[3].

Table 1.
Average Pay for Twenty Major Occupational Categories
(Occupations With Large Numbers of Employees), 1997

	Est. # Employed	Avg. Hourly Earnings	Annual Earnings	Weekly Earnings
Teachers, elementary school	11,510	na.	\$32,620	\$627
General Managers/top executives	16,250	\$25.03	\$52,060	\$1,001
Other managers/administrators	3,640	\$21.49	\$44,700	\$860
Registered nurses	10,880	\$17.63	\$36,660	\$705
Sales reps, non retail	3,950	\$16.79	\$34,930	\$672
Teachers, secondary school	4,850	na.	\$31,750	\$611
Basic Needs Wage, Family of 3		\$14.61	\$30,391	\$584
Sales managers, supervisors, rel.	8,210	\$14.35	\$29,850	\$574
Clerical/Administrative supervisors	6,220	\$13.98	\$29,080	\$559
Truck drivers, route workers	5,580	\$10.21	\$21,230	\$408
Bookkeeping/accounting clerks	8,960	\$10.02	\$20,830	\$401
Secretaries (exc. med or legal)	9,250	\$9.97	\$20,740	\$399
General office clerks	10,770	\$8.87	\$18,460	\$355
Receptionists, info. clerks	4,280	\$8.54	\$17,760	\$342
Hand movers, freight & stock	3,230	\$8.39	\$17,450	\$336
Retail Salespersons	17,480	\$8.08	\$16,810	\$323
Teacher aides, paraprofessionals	4,570	\$8.01	\$16,670	\$321
Nurse aides, orderlies, attendants	8,670	\$7.73	\$16,070	\$309
Stock clerks, sales floor workers	6,250	\$7.25	\$15,090	\$290
Food preparation workers	7,450	\$6.91	\$14,370	\$276
Cashiers	16,710	\$6.60	\$13,720	\$264

Table 2.
Average Weekly Pay by Major Industry, 1998

Industry:	Est. # Employed	Pct of the Jobs	Avg. Weekly Earnings
Finance/Insurance/RE	28,104	5.2	\$715
Manufacturing	87,144	16.0	\$639
Wholesale Trade	26,773	4.9	\$631
Transportation/Utilities	22,806	4.2	\$612
Basic Needs, Family of 3			\$584
State Government	22,012	4.0	\$576
Mining & Construction	25,061	4.6	\$549
Local Government	55,079	10.1	\$461
Services	155,620	28.6	\$458
Agriculture, Forestry, Fishing	6,454	1.2	\$377
Retail Trade	115,715	21.2	\$300
Total	544,995	21091.2	\$490

II. Meeting Basic Needs

1. Introduction

One in five people live in a household that has difficulty meeting basic needs, according to estimates from the US Census Bureau. In Maine, our colder climate, remoteness and general rural low density settlement patterns coupled with lower overall income and vast regional disparities of income and wealth make the situation for many Maine households acute.

For more than three decades the standard measure of need has been the federal poverty guideline. The poverty guideline was established in the 1960's at the advent of the War on Poverty declared by President Johnson. It has continued to be the benchmark measure, updated annually only to consider the effects of inflation.

Table 3.
Federal Poverty Guideline

<u>Family Size</u>	<u>1980</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
1	4,210	5,250	6,280	7,470	7,740	7,890	8,050	8,240
2	5,590	7,050	8,420	10,030	10,360	10,610	10,850	11,060
3	6,970	8,850	10,560	12,590	12,980	13,330	13,650	13,880
4	8,350	10,650	12,700	15,150	15,600	16,050	16,450	16,700
5	9,730	12,450	14,840	17,710	18,220	18,770	19,250	19,520
6	11,110	14,250	16,980	20,270	20,840	21,490	22,050	22,340
7	12,280	16,050	19,120	22,830	23,460	24,210	24,850	25,160
8								27,980
For each additional member:								
Add:	1,170	1,800	2,140	2,560	2,620	2,720	2,800	2,820

The poverty guideline began as a simple formula based on data from the USDA that determined that families spent about a third on their income on food. Therefore, the poverty threshold was deemed to be an amount equal to three times the low income food budget as measured by the USDA Thrifty Food Plan.

As time has passed, however, the poverty guideline has become inadequate as a measure of need. The cost of basic items no longer reflects the ratios that existed in the 1960's. Food, once

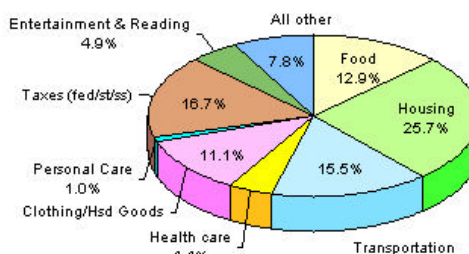
accounting for a third of the income of Americans, today only accounts for 14% to 16% of the average American household income. Health care, energy (in cold states like Maine) and the cost of maintaining an auto to get to work take up a much larger share of household income than they did 30+ years ago.

Furthermore, the poverty guideline was intended to reflect a basic survival level as it was perceived in the mid 1960's (when most households had one worker, a single car if any, etc.) and thus did not include many of the items considered essential today for a decent standard of living, such as the cost of child care for a working parent, or the added cost of transportation to work due to higher costs of buying and maintaining a car and added mandates such as auto insurance or rising fuel prices. Few would argue that a family of three could today cover their basic needs without additional assistance on an income of \$13,880 a year, the 1999 poverty level for a household of that size.

Surveys of consumer expenditures are the most common means for developing a picture of how Americans spend their money. The Bureau of Labor Statistics (US Department of Labor) conducts an annual survey and reports the results by region[4].

The relative portion of income that is spent on major items shown in these surveys is useful for comparison and widely regarded as a benchmark. In some cases it provides information about categories of spending that cannot be reliably gained from other sources.

Consumer Expenditure Survey, Northeastern US, 1998
Percent of Income by Type of Expenditure



There is a wide range in expenditure behavior within Maine, differences between Maine and other northeastern states, differences in items measured (the CES pie includes entertainment and a variety of other miscellaneous expenses but does not include child care and deals with taxes differently, for example) and in the household income and composition of the sample family (avg. household size of 2.6 including 1 child compared to single parent with 2 children in the Maine basic needs household). The efforts of the Maine Center for Economic Policy to combine the results of the CES with other sources of information comes closer to more accurately reflect conditions across Maine than any other source available. Though the average household income in the

CES survey is more than \$10,000 greater than the basic needs budget, once adjusted to consider child care the expenditure pattern is quite similar.

2. Meeting Basic Needs in Maine: How Families are Doing

There is plenty of evidence in Maine and nationally that many households are unable to meet their basic needs. One of the clearest indications is the number that turn to public and private services for assistance. One fifth of the total personal income of Maine households is derived from federal transfer payments, 25% above the national average. In addition, the State of Maine provides levels of assistance and services that are more generous than most states. Hundreds of families call on general assistance aid from local town offices each year. Private charitable agencies raise millions annually to provide direct aid and services to the poor, and thousands go to soup kitchens and food pantries every week or every month. Yet, surveys show, in spite of it all, many more depend on family and friends or go without.

The US Census measured well-being in 1995 by examining the amount of difficulty families had meeting a variety of expenses at varying income levels[5]. The survey found that a large portion of low income families in the United States suffer significant levels of deprivation:

- * One in nine don't have enough food to eat.
- * More than a quarter (26%) fell behind in their rent or mortgage at some point during the past year.

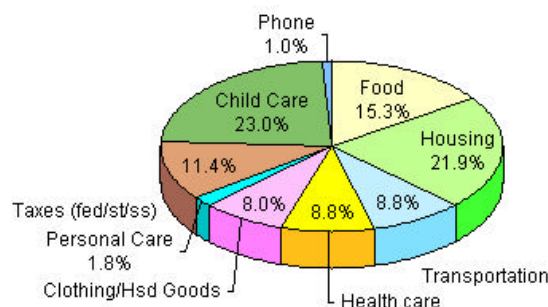
* The poor were three times more likely to have difficulty paying for utilities in the past year. They were four times more likely to have their utilities cut off. AFDC recipients were five times more likely to have disconnections.

* The poor are far more likely to go without medical attention. 20% needed to see a doctor and 24% needed to go to a dentist but did not. For AFDC recipients, the rate coverage. A high portion of

was lower, primarily because most have Medicaid the non-AFDC population is uninsured.

- * In all, 55% of the poor in the US live in families with at least one of the above deprivations. 65% of AFDC families reported at least one deprivation.

Maine Basic Needs Budget for a Family of 3
Percent of Income by Type of Expenditure



- * Most poor families suffer from multiple deprivations. 27% of the poor faced two or more deprivations and 34% of AFDC families suffered from two or more of the deprivations measured.

Another component of the Census' survey inquired about how families whose income fell short each month got additional support. Overwhelmingly, people make do. Only 17% of the households surveyed who had difficulty making ends meet received help from others. Of those, most turned to family and friends or to community organizations for aid. Less than 5% got help from government agencies. Another disturbing finding was that more are using credit (especially credit cards) to obtain the things they need, especially clothing and other items children need in order to feel equal to their peers at school.

Table 4.
Extended Measures of Well-Being
1995, US Census

<u>Criteria</u>	<u>Percent of persons in families:</u>		
	Non-Poor	Poor	AFDC
Not enough food	1.4	11.0	14.2
Rent not paid	7.5	25.9	29.1
Evicted	0.4	2.1	2.6
Utilities not paid	9.8	32.4	40.7
Utilities disconnected	1.8	8.5	10.5
Phone disconnected	3.2	16.0	20.3
Needed medical attention	7.4	19.6	15.2
Needed dental attention	10.0	24.0	20.8

Table 5.
Sources of Help Received or Expected if Requested
1995, US Census

	Help Received:	Expected if Requested:
Family	43.3%	88.4%
Friends	17.2%	69.8%
Other Community	44.3%	36.9%
Total	100.0%	inc. multiple sources

Finally, the Census Bureau also measured access to consumer durables, many that would be considered "essential" to most households today and basic living conditions, including problems people had with their housing. In both situations, they found the proportion of the poor to be without basic appliances or living in homes with basic upkeep problems to be far greater.

Table 6.
Access to Basic Consumer Durables:
1995, US Census

<u>Lacking:</u>	<u>Percent of persons in families:</u>		
	Non Poor	Poor	AFDC
Refrigerator	0.5	2.1	1.8
Stove	0.5	2.3	2.0
Washing machine	7.3	28.3	33.7
Freezer	54	71.4	77.4
Color Television	1.5	7.5	7.8
Telephone	2.8	23.3	32.5
Air conditioner	28.1	50.4	59.3
Clothes dryer	12.7	49.8	55.2
Microwave	10.2	40.0	47.4
VCR	13.8	40.3	45.4
Personal Computer	71.7	92.6	95.8

Table 7.
'Persons with homes with upkeep problems:
1995, US Census

<u>Condition:</u>	<u>Percent of persons in families:</u>		
	Non Poor	Poor	AFDC
Leaking roof	8.5	15.8	14.9
Plumbing/hot water not working	4.8	12	11.9
Broken Windows	8.2	18.6	20.4
Exposed Wiring	1.3	4	5.5
Rats, mice, roaches	13.9	39.4	45.8
Holes in floor	0.8	4.8	4.5
Cracks/holes in ceiling, walls	4.1	13.5	17.6
Bad enough one wants to move	9.5	26.6	34.5

In Maine, a similar study was conducted in the winter of 1997 by John Fitzgerald at Bowdoin College[6]. That study surveyed 300 families with incomes under 185% of the poverty line. Only families that had at least one child and at least one parent who worked or had been working were interviewed. The results were comparable to the US Census survey.

There are numerous other studies and statistics that reinforce these findings. A study of Childhood Hunger (the 'CHIPP' Study) found in 1993 that over 7500 children were hungry and over 31,000 were at risk of hunger in Maine. An update to the national CCHIP study was released in July, 1995 that found almost 20,000 Maine children experiencing hunger and an additional 64,000 at risk - 40% of the State's children under age 12[7].

Of equal concern is evidence that frequently Maine adults forego food in order to feed their children. The CCHIP study documented substantial hunger and poor nutrition among parents. In four out of five households surveyed (79.2%) parents indicated that they sacrificed for their children either by eating less, skipping meals entirely, or by eating less nutritious foods. Many more adults than children in lower income families are routinely not receiving an adequate diet. Yet good nutrition and health are as essential to job performance as to school performance.

The prevalence of inadequate housing and the risk of homelessness in Maine is monitored by the Maine State Housing Authority[8]. They estimate that there are approximately a thousand people homeless in Maine each night. Only 40% of the homeless seek the aid of shelters. The number of food pantries and soup kitchens that have been established throughout the State in recent years and the tons of food they distribute attest to an unacceptable portion of Maine households lacking enough income to meet the most basic of needs.

Just as the Census Bureau found that inability to maintain and improve one's home is a problem for lower income families across the country, it is also a problem for many Maine households. Maine has one of the oldest housing stocks in the nation, including a high portion of older mobile homes, contributing to a serious problem with substandard housing.

Based on data collected on the housing conditions of those that apply for LIHEAP (low income home energy assistance program), MSHA estimates that 5% of all Maine households (26,000 in all) live in substandard housing that would be considered severe for a cold climate state - lacking insulation, or an adequate heating system, or mobile homes built before 1976 that meet neither safety nor efficiency standards.

MSHA
also found that
housing conditions
are much worse in
rural areas where
income is lower
and where rental
revenues received

Table 8.
Survey of 300 lower income Maine families, Winter, 1997

17%	ran out of heat in the past year
49%	received utility termination notices
13%	had utilities disconnected
19%	worried they would not have enough food over the next year
20%	changed their living situation in the last 3 years because of money

by landlords is much less. The data also shows that even though interest rates have remained relatively low throughout the 1990s, by 1998 foreclosures increased by more than five times the rate back in 1980.

III.

Review and Assessment of the MCEP Basic Needs Budget

The MCEP budget addresses all categories of spending listed in Resolve 62 except for recreation and entertainment. Using ratios from the US Bureau of Labor Statistics Consumer Expenditure Survey for 1998, a household with this level of income would spend just over \$1300 on entertainment (including children's toys) and reading materials in the Northeast (about \$25 per week). However, no additional figures for recreation or entertainment expenses have been added to the MCEP budget at this time.

Components & Assumptions of a basic Needs Budget

Food:

USDOL, Bureau of Labor Statistics 1998 Consumer Expenditure Survey (CES):

Food Costs in the Northeast were estimated at \$5124 (\$427 per month). Food eaten at home was estimated at \$2943 (\$245.25 per month) for a household of 2.5 persons (with 0.6 children). Adjusted to a family of three, and assuming that the cost of food for a growing and active school age child is somewhat comparable to that for a second adult, the annual cost of food eaten at home increases to \$3532 (or \$294.30 per month).

USDA Thrifty Food Plan:

The thrifty food plan places the weekly cost of food (eaten at home) for a family of three at \$61 per week, or \$282 per month. Adjustment for age of children places the amount over \$305. The plan makes no provision for food eaten away from home.

MCEP: Averages the amount needed by families with different age groups according to the USDA thrifty food plan and adjusts by an additional 11.6% to reflect the higher cost of food in the Northeast indicated by the CES.

Housing:

HUD Fair Market Rents: Fair market rents are issued quarterly by the US Department of Housing & Urban Development. Prices are issued for each metropolitan area within the State and for the non-metropolitan area of each county. In Nov. 1999 the range in rents went from \$483 per month in rural Maine counties to a high of \$737 in the Portsmouth/Kittery MSA for a 2-bedroom apartment, a difference of over 50%.

MCEP: The MCEP budget uses the HUD Fair Market Rent for a 2-bedroom apartment. They compute the state average cost to be \$554.

CES: Housing costs are higher in the Survey because they are based on a greater portion being home owners with a mortgage payment. They also include household supplies, furnishings, and other ordinary expenses associated with operating and maintain a home.

Future Considerations: Most basic needs budgets rely on the HUD fair market values or some closely comparable source. Though it is true in Maine that those who live in rental housing are on average lower income households, Maine is largely a state of home owners, even among the poor, and especially the rural poor.

A measure that considers this profile is needed because, in large part, homes owned by the poor are older and more likely to be in substandard condition, lack adequate insulation, and be costly to heat and maintain. Others live in lower cost forms of housing such as mobile homes, many of which are pre-1976 construction, and most of which rely on kerosene as a fuel source for heating. Kerosene is the highest priced fuel available for home heating, except for electricity.

The cost of energy is one of the largest and most volatile components of shelter costs and lower income households are more sensitive to even minor changes in price. For many renters in Maine utilities are not included in the cost of rent. Even in federally assisted housing, many apartments are heated with electricity and tenants must pay their own electric costs. HUD Fair Market Rent figures assume utilities (including heat) except telephone are included in the rent payment. (In 1990 the census showed that only 27,000 of the State's 133,000 renter households had all utilities included in their rent payment. The other 106,000 paid some or all of their utility costs in addition to their rent payment.

A second major problem is that the cost of housing is one of the most variable costs for Maine residents, regardless of income. Costs vary greatly depending on tenure (home owners vs. renters), the condition of the structure, and whether utilities, taxes, and other costs are included in the cost of the mortgage or rent. There are also wide variations in the value of real estate regionally within Maine. A home worth \$50,000 in Aroostook County may be worth \$250,000 in a suburb near Portland. The cost of a mortgage, insurance, and taxes will vary accordingly. For renters, this variation is reflected in rent costs but is often somewhat less extreme because the cost can be spread over multiple apartments in the structure.

A comparison of towns in 1995 showed the median value of a single family home ranged from under \$20,000 in one town to over \$200,000, a tenfold spread. The mill rates in Maine towns range from \$2.26 per thousand valuation up to over \$32 per thousand. And, the amount of tax paid on a home of median value in any given town ranged from under \$200 to over \$3,000.

The adequacy of housing cost information and its high level of variability across the State is the greatest drawback in establishing a "basic need" value for shelter costs.

Telephone:

USDOL, Bureau of Labor Statistics 1998 Consumer Expenditure Survey (CES):

\$53-70 per month

MCEP: \$25 per month (based on average monthly base rate of \$10-15 per month plus cost of 1.5 hr of long distance @ .15/minute). MCEP's figure is very conservative. For many, calls to their employer or to their child care provider are toll calls. In these cases, few households would be able to stay within a budget of \$25 per month for phone service.

Health Care:

USDOL, Bureau of Labor Statistics 1998 Consumer Expenditure Survey (CES): \$1,741 per year (\$145 per month) for health insurance and out of pocket expenses (medical services, drugs, and medical supplies). This is lower than the cost of the Blue-Cross/Blue Shield standard plan. The cost of insurance is about a third of the cost in the MCEP budget, in part because CES assumes that employers pick up a larger portion of the cost of insurance for workers and family plans.

MCEP: Blue Cross/Blue Shield Standard Plan adjusted by data from Vermont which finds that the average employee contribution is 34% for a single person plan and 21% for family coverage:

Blue Cross/Blue Shield HMO Standard Plan

(\$10 co-payment for office visits/\$250 copayment for inpatient services):

Single person \$266

Single w/children \$467

Couple w/children \$719

Co-payments and other out of pocket expenses, \$42 based on Health Care Finance Administration's figures adjusted for inflation, were added to these amounts.

For families under 200% of the poverty level, participation in Cub Care was assumed for the children at a cost of \$15 per child.

Future Considerations: MCEP's figures are based on Vermont. Data from Maine providers is needed. Health care costs and the cost of health insurance have historically grown at a faster rate than overall costs in the CPI index. There needs also to be consideration given to the instability of the health insurance provider system in Maine and the variability in provider plans, from HMOs to individual coverage and various group plans, to the introduction of the Cub Care program.

Transportation:

IRS: per mile approach: .325 per mile

At this rate, a person traveling 12,300 miles per year, the average in Maine, would be spending \$4,000 per year.

USDOL, Bureau of Labor Statistics 1998 Consumer Expenditure Survey (CES): estimates total transportation costs for a family in the Northeast to be \$6,186. Cost components are broken into four categories:

\$2,426	Vehicle purchase (net outlay)
\$ 938	Gas & Oil
\$2,219	Other vehicle expenses (insurance, taxes, repairs)
\$ 603	Public transportation used

MCEP: adjusts IRS mileage based on the household variations in the CES figures for average vehicle miles driven by various demographic groups (based on a USDOT analysis). It is estimated that a single parent with 2 children living in an urban area travels 10,746 mi. per year and a rural household travels 12,282 miles. Applying an adjusted rate of .22918 cost per mile to the rural mileage (more typical of Maine) results in a total cost of \$2,815 per year.

Again, this would seem to be a very conservative estimate. The cost of gas and oil for normal auto use would have been \$800 in 1999. Registration, basic insurance coverage and related costs could add up to \$300 or more. Informal conversations with small garages in the area that repair older vehicles suggest that routine maintenance (tires, mufflers, etc.) and the added repairs that are likely to be needed to keep an older car running would cost at least \$1200 a year. The cost of purchasing a car, or monthly payments, even on an older vehicle would likely be no less than another \$1200 per year. These estimates alone total to \$3500.

Child Care:

Child Care Resource Development Center: Survey of Child Care Market Rates.

MCEP: estimate a monthly average cost of \$582 based on rates charged by the lower 75% of the providers in the CCRDC market rate data. The cost is computed based on one preschool age child and one school age child.

Maine Dept. of Human Services Child Care Market Rate Survey: This survey conducted in March, 2000 compared rates by county for various ages of children by type of facility and collected information on hourly and weekly rates. There is a great variation in rates depending on the combination of criteria. However, the MCEP estimate appears to be close to the average for children of the selected ages. Rates are higher for infants in most cases.

Clothing/Household Goods:

USDOL, Bureau of Labor Statistics 1998 Consumer Expenditure Survey (CES): The CES measures the amount spent on clothing, household maintenance (cleaners, and on furnishings and equipment for the home). Their estimate comes to \$914 per year for household operations and housekeeping supplies, and an additional \$1,688 for furnishings and equipment.

MCEP: uses the CES figures as a base and adjusts for inflation. MCEP excludes the amount for furnishings and equipment, assuming instead that these expenses are covered in rental and utility costs. Again, this assumption is accurate for only a small portion of Maine households. While it is likely that a landlord would replace a stove, bathroom fixtures or some other appliances if needed, most other household furnishings are at the discretion of the tenant unless the rental unit is advertised as "furnished". It is unlikely that families whose income is at a basic needs level will replace or upgrade household furnishings unless absolutely necessary. But MCEP's estimated budget makes no allowance for replacement of equipment and furnishings in the home that are worn out or malfunctioning, and is thus a conservative estimate of the cost of maintaining a home for most Maine families. Clothing expenses are more in line with figures in the CES findings.

Personal Care items:

USDOL, Bureau of Labor Statistics 1998 Consumer Expenditure Survey (CES): Estimates the range in expenditure to be between 1.6% and 2.2% of net annual income (does not include diapers, reading materials, gifts, or entertainment).

MCEP: uses the CES figures for 1997, assumes 2% of net income is spent on these items and adjusts the 1997 figures for inflation to estimate the basic expenditure level for 1999.

IV. Adjustment Procedures

Overall, the work by the Maine Center for Economic Policy comes closest to the cost of basic goods and services in Maine. Ideally, the basic needs budget methodology will need to be improved upon as well as updated regularly. In the absence of resources to conduct local market research, any adjustments will ultimately have to be based on existing data sources.

1. Refinement of Methodology and Data Sources: Refinement of some categories is needed to more accurately reflect the cost of basic need items in Maine, primarily health care and housing costs.
2. Annual Adjustments: Adjustments in costs of components will require a flexible approach that includes a combination of tools and techniques, including comparison to standardized indexes and surveys and evaluation of Maine-specific data where it can be obtained. Standardized surveys and indexes believed to be most helpful include:

A. Consumer Price Index (CPI): Commonly, the amount of growth in inflation, averaged for all consumer goods, is widely used as annual the adjustment factor for most purposes. However, the CPI is made up of a relatively detailed list of expenditure categories and special indexes that can be used to evaluate changes in the costs of items of particular significance to Maine, such as a rise in energy or transportation costs.

B. Consumer Expenditure Survey (CES): The CES is conducted annually by the US DOL Bureau of Labor Statistics. The data is at least 1-2 years old but the various expenditure categories can be adjusted for inflation using the CPI data. This information is a good benchmark against which to compare other information.

C. American Community Survey (ACS): The US Census Bureau plans to expand the American Community Survey. If approved by Congress, it will replace the decennial census "long form" with an expanded ACS that will provide annually the detailed characteristics now available for small areas (towns and counties) only upon completion of the decennial censuses. Though not an immediately available source of information, it will provide helpful housing data in future years if the expanded program is instituted.

D. Other special census surveys: Annual and periodic surveys conducted by the census measure various aspects of social change. The Census' study of extended measures of well-being, for example, based on data from the CPS has provided a great deal of information on the living standards of households with low levels of income.

3. Accounting for unexpected and unpredicted changes in prices: Most measures of price and expenditure are national or regional in nature, and may not fully reflect local events. One obvious example is the challenge to adjust the cost of basic needs items in 2000 to account for the run-up in fuel prices in the early months of 2000. The effect of the price change was immediate for most households as home heating costs began a sharp rise and the cost of fuel to get to work or to the grocery store went up. Since energy is required by nearly every aspect of the economy, from producing food and manufacturing consumer goods to delivering them to local supermarkets and retailers, the cost of other items in the budget can be expected to increase, all a result of a change in this one item alone. The CPI and other measures will reflect the effect that changes in energy costs have had on the economy of the nation, but additional scrutiny and further adjustment will be needed because the extent of their impact was more severe in the northeast of and is likely to not be fully reflected in measures such as the CPI or the CES whose coverage is a much larger region than Maine or New England.

Footnotes

[1] Maine Center for Economic Policy, Getting By in 1999: Basic Needs and Livable Wages in Maine, Fall, 1999.

[2] Bureau of Labor Statistics, US Dept. of Labor, Average Annual Pay, Spring, 2000.

[3] Maine Dept. of Labor, Maine Occupational Wages, 1997.

[4] Bureau of Labor Statistics, US Dept. of Labor, Annual Consumer Expenditure Survey.

[5] US Bureau of the Census, Extended Measures of Well-Being: Meeting Basic Needs, 1995.

[6] Maine Center for Economic Policy, Getting By in 1999: Basic Needs and Livable Wages in Maine, Fall, 1999.

[7] Community Childhood Hunger Identification Project, A Report on Childhood Hunger in Maine, May, 1993, Update, 1995.

[8] Maine State Housing Authority, The State of Maine's Housing, 1999. The conditions identified as substandard include lack of plumbing, lack of insulation, over crowded, or older mobile homes (pre 1976) built before current standards.